

Policies and Procedures, Please

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What are policies and procedures? By definition, a policy is “a course or principle of action adopted or proposed by a government, party business, or individual” – in other words, the rules or guidelines that should be followed. Whereas, a procedure is “an established or official way of doing something” – in other words, the steps to be taken to ensure the rules (policies) are being met.

Often times, organizations will have policies built in to their employee handbook or stand-alone policies for individual areas (e.g. investment, sick leave, etc.). This is a step in the right direction; however, these types of policies don’t normally include the procedures necessary to ensure the policies are being followed. For best practice, an organization should maintain a policies and procedures manual that encompasses both the policies and procedures for each department (e.g. financial services, human resources, etc.).

Why should an organization maintain a policies and procedures manual? Having a written policies and procedures manual helps ensure the organization is following laws and regulations, abiding by statutes, meeting deadlines (due dates), and that personnel understand what is expected, as well as how to perform said expectations. Oftentimes policies and procedures are not followed, mainly because they are not documented, and over time or due to personnel changes, they are forgotten, misinterpreted, or not updated.

Most of our clients have written individual policies; however, not many of them encompass the procedures within the manuals, primarily, because it can seem overwhelming and they're not certain what to include or where to start. To assist with this, below is a brief outline with some sample wording of what your organization could include in its manual:

1. Introduction

1. Department Functions – a brief description of each business function
 1. Accounts Payable – manages vendor payments and related functions
 2. Payroll – manages employee payroll and benefit functions
2. Organizational Chart

2. Revenue Cycle

1. Policies
 1. The duties of receiving, depositing, and recording revenues shall be segregated among employees.
 2. Monies received should be kept in a secure location, with limited access to authorized personnel.
 3. Revenues should be credited to the appropriate accounts in the approved Chart of Accounts.
2. Procedures
 1. Performed by: Office Manager
 1. Receives currency or checks
 2. Immediately counts currency and endorses checks
 3. Prepares a pre-numbered receipt
 4. Prepares deposit slip and maintains deposit log (see Step 1 for Office Assistant below)
 5. Places currency, endorsed checks, and deposit slip in a sealed bag
 6. Gives sealed bag to Office Assistant
 2. Performed by: Office Assistant
 1. Observes currency count and reviews deposit slip
 2. Delivers sealed bag to the Organization's bank for deposit
 3. Receives copy of deposit slip
 4. Returns bank documentation to the Office Manager

3. Expenditure Cycle

1. Policies
 1. All expenditures shall be approved by the Governing Board
 2. Purchase requisitions shall be adequately approved
 3. Purchase orders shall be prepared for all expenditures (exceptions)
2. Procedures
 1.
 1. Performed by: Requestor
 1. Determines a purchase is needed and gathers supporting documentation (e.g. pricing, item description, quantity, etc.) and submits to Requisition Submitter
 2. Performed by: Requisition Submitter
 1. Receives supporting documentation
 2. Generates a purchase requisition and attaches all supporting documentation

3. Sends to Administrator for approval

As you prepare your policies and procedures manual, be sure to include all of your organization's departments or functions. Other areas may include:

- Budget
- Grants Management
- Conflicts of Interest
- Competitive Purchasing (Procurement)
- Credit Card/ P-Cards
- Travel Expenses
- Journal Entries
- Payroll/ Time and Effort
- Capital Assets
- Cash/ Bank Reconciliations
- Student Attendance

Ensure your policies include references to statutes, laws and regulations, or due dates that your organization must adhere to. Make sure your procedures are detailed, and provide pictures or sample forms when applicable.

The benefits of having a written policies and procedures manual are making sure your organization has sound internal controls, maintains consistency within the day-to-day operations, even with personnel changes, and is audit ready.

If you would like further guidance or assistance in preparing your organization's policies and procedures manual, [please reach out to our consulting division](#).

Related articles:

- [Developing a Conflict of Interest Policy](#)
- [Are You Audit Ready? Effective Use of Credit Cards and P-Cards](#)
- [Capital Assets Under the Capital Threshold](#)

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